Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 03817 01 OF 02 130631Z

11
ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 INT-05 GSA-01 COME-00 TRSE-00

OMB-01 OPIC-03 STR-04 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 /078 W
---------- 126727
R 130515Z MAR 76
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 4639
INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 3817

DEPT PLEASE PASS USGS, USBURMINES

EO 11652: NA
TAGS: USINJC, EMIN, ETRA, IN
SUBJ: MICA

1. SUMMARY: BASED ON CONTACTS WITH GOVE OFFICIALS AND PRIVATE TRADE WE HAVE GLEANED NO INFORMATION THAT MAKES US THINK THAT THE GOI INTENDS TO NATIONALIZE THE MICA MINES OR THE EXPORT TRADE IN THE NEAR FUTURE. CONCERNED WITH THE STAGNATION OF THE EXPORTS TO NON BLOC COUNTRIES INCLUDING THE U.S., IT IS DOUBTFUL THAT THE GOI WOULD WISH TO DISRUPT FURTHER THE MICA INDUSTRY AT THIS TIME BY ATTEMPTING TO MONOPOLIZE THE EXPORT TRADE OR TO RUN THE MINES. HOWEVER, IT WAS ALSO CLEAR THAT IF THE PRIVATE SECTOR FAILS TO COOPERATE, NATIONALIZATION MAY BE SEEN AS THE ONLY ALTERNATIVE. WE UNDERSTAND THAT THE GOI'S APPROACH IN HANDLING THE MICA SITUATION MAY BE INFLUENCED BY THE RECOMMENDATIONS OF A CONFIDENTIAL STUDY CURRENTLY BEING PREPARED BY THE INDIAN INSTITUTE OF FOREIGN TRADE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 03817 01 OF 02 130631Z

(IIFT). ALTHOUGH NOT YET FINALIZED, ONE OF THE RECOMM-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

ENDATIONS BEING CONSIDERED FOR INCLUSION IN THE REPORT IS THAT MITCO SHOULD, FOR THE TIME BEING AT LEAST, CONCENTRATE SOLELY ON EXPORTS TO THE BLOC COUNTRIES AND LEAVE OTHER MARKETS IN THE HANDS OF PRIVATE EXPORTERS WHO UNDERSTAND THE SPECIFIC REQUIREMENTS OF WEST EURPOEAN AND AMERICAN BUYERS. AS ALREADY REPORTED, IN ORDER TO RESOLVE SOME OF THE PROBLEMS PLAGUING THE MICA INDUSTRY THE GOI HAS CONSTITUTED A MICA ADVISORY COMMITTEE COMPOSED OF REPRESENTATIVES FROM BOTH THE PUBLIC AND PRIVATE SECTORS. FOLLOWING THE FIRST MEETING SCHEDULED FOR MARCH 22, 1976 WE SHOULD HAVE A BETTER PICTURE OF THE MICA SITUATION. END SUMMARY.

2. IN ORDER TO RESPOND TO REFTEL, WE CONTACTED N.C. JAIN, MANAGING DIRECTOR, MITCO, THE INDIAN INSTITUTE OF FOREIGN TRADE (IIFT) (WHICH HAS PREPARED A CONFIDENTIAL STUDY ON MICA ON BAHALF OF THE GOI MINISTRY OF COMMERCE) AND SOLICITED PRIVATE SECTOR VIEWS THROUGH OUR CONGEN IN CALCUTTA.

3. ACCORDING TO JAIN, ANY ATTEMPTS BY THE PRIVATE INDIAN EXPORTERS TO DISRUPT THE PRESENT SYSTEM COULD LEAD TO IMPOSING 100 PERCENT CANALIZATION. IN VIEW OF THE EMERGENCY HE SAID IT IS UNLAWFUL FOR MICA DEALERS COLLECTIVELY TO TRY TO IMPOSE THEIR POSITION ON THE GOI AND THEY HAD SUBSEQUENTLY BACKED OFF. IN RESPONSE TO DEALERS COMPLANING OF LAGGING SALES, HE SAID THAT MITCO HAD OFFERED TO PURCHASE ALL THE INVENTORY STOCKS OF MICA AT AN AGREED PRICE, BUT THERE WERE NO OFFERS. HE DIDN'T REALLY BELIEVE MICA PRODUCTION WAS OFF SINCE EXPORTS WERE FOUR TIMES THE MICA PRODUCTION FIGURES. THERE WAS SOME QUESTION WHETHER ALL MINES WERE ACTUALLY REPORTING THEIR PRODUCTION. JAIN WENT ON TO SAY THAT HE WAS NOT IN FAVOR OF NATIONALIZING THE MINES, BUT THIS WAS QUALIFIED BY ADDING THAT COMMERCE WAS NOT CONCERNED WITH THIS PROBLEM; IT WAS A MATTER FOR THE DPEARTMENT OF MINES TO DEAL WITH.

3. WE ALSO DISCUSSED WITH JAIN HIS PROPOSED RESPONSE TO MARSHALL'S LETTER OF FEBRUARY 27, 1976 ANDDETECTED LITTLE BASIC CHANGE FROM MITCO'S EARLIER POSITION ON THE ISSUES RAISED BY MARSHALL.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

4. WITH REGARD TO SCRAP MICA, MITCO AGREES TO ONE PRICE FOR MICA SCRAP PROVIDED SHIPMENTS CONTAIN MINIMUM 20 PERCENT SCRAP SIZES BELOW THREE-QUATERS INCH. SINCE A 10 PERCENT TOLERANCE IS ALREADY BUILT INTO THE EXPORT TRADE, AN ADDITIONAL 10 PERCENT (TOTAL 20 PERCENT) TOLERANCE IN SCRAP MICA IS CONSIDERED JUSTIFIED ON ACCOUNT OF COSTS.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

5. ON THE SUBJECT OF ARBITRATION, JAIN CONTINUES TO OPPOSE ANY LETTERS BEING SENT BY THE DEPUTY MINISTER OF COMMERCE OR THE RBI SINCE THE ARBITRATION ARRANGEMENTS ARE CLEARLY SPELLED OUT IN THE GOIS' DECEMBER 5, 1975 PUBLIC NOTIFICATION. HE VIEWS THIS REQUEST FOR LETTERS AS ANNOYING AND AS "DOWN RIGHT IMPERTINENCE". HE SAID, HOWEVER, SHOULD A LETTER BE CALLED FOR TO SETTLE AN ABRITRATION MATTER IT WOULD BE IMMEDIATELY FORTHCOMING.

6. AS FAR AS THE 40/60 SHARING FOLMULA IS CONCERNED, THE DIE IS CAST. JAIN SAID THAT IN VIEW OF THE POLITICAL CLIMATE THE GOI COULD NOT DECONTROL MICA EXPORTS AND EFFORTS TO CHANGE THIS ARRANGEMENT MAY ONLY LEAD TO THE GOI'S COMPLETE TAKEOVER OF THE MICA TRADE. JAIN ASKS FOR A LETTER FROM THE IMPORTERS AGREEING TO PLACE DIRECT BUSINESS WITH THE MITCO TO THE EXTENT OF 40 PERCENT OF THEIR TOTAL ANNUAL REQUIREMENT. IF THIS IS DIFFICULT TO PIN DOWN BY YEAR END, MITCO IS WILLING TO PERMIT ORDERS TO SPILL OVER INTO THE NEXT YEAR. HOWEVER, IF THIS AGGANGEMENT FAILS TO WORK, JAIN WILL THEN REQUIRE DAY-TO-DAY SHARING OF ORDERS. JAIN REPORTED THAT EAST GERMANY HAD RECENTLY PLACED ORDERS AMOUNTING TO RS.14 MILLION WITH MITCO AND THAT ORDERS FROM THE US WERE ALSO COMING IN.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 NEW DE 03817 02 OF 02 130637Z

11
ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 INT-05 GSA-01 TRSE-00

OMB-01 OPIC-03 STR-04 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 /078 W
---------- 126718
R 130515Z MAR 76
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 4640

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 3817

DEPT PLEASE PASS USGS, USBURMINES

7. ACCORDING TO AN OFFICIAL OF THE INDIAN INSTITUTE OF FOREIGN TRADE THERE IS NO CURRENT MOVE BY THE GOI TO NATIONALIZE THE MICA MINES. HOWEVER, HE MENTIONED THAT IIFT IS CONSIDERING THE RECOMMENDATION THAT THE GOI TAKE OVER CERTAIN "MISMANAGED" AND CLOSED MINES. IN THIS REGARD HE STATED THAT THE NUMBER OF OPERATING MICA MINES HAS STEADILY DECLINED OVER THE RECENT YEARS, FROM A PEAK OF 3,347 IN 1965 TO 2,848 IN 1970. HE ALSO ADMITTED THAT THE 40/60 SHARING FORMULA HAS ADDED FURTHER PROBLEMS TO THE INDIAN MICA EXPORT TRADE. IN ORDER TO SOLVE THESE PROBLEMS AVARIOUS ALTERNATIVES ARE BEING DISCUSSED, INCLUDING CHANNELIZING EXPORTS THROUGH MITCO ONLY TO BLOC COUNTRIES AND LEAVING OTHER MARKETS IN THE HANDS

OF PRIVATE EXPORTERS UNTIL SUCH TIME THAT MITCO ACQUIRES THE NECESSARY EXPERTISE IN INTERNATIONAL MARKETING. APPARENTLY THE STUDY LEVIED SOME STRONG CRITICISM AGAINST
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 03817 02 OF 02 130637Z

MITCO'S OPERATIONS WHICH JAIN HAS PROTESTED.

8. REPRESENTATIVES OF FOUR MAJOR MICA FIRMS IN THE CALCUTTA AREA, ALL OWNED BY VARIOUS BRANCES OF THE RAJGHARIA FAMILY, WHICH CONTROLS OVER 50 PERCENT OF THE INDIAN MICA EXPORTS, EXPRESSED DOUBT THAT THE GOI WOULD PERMIT THE THREATENED CLOSURE OF ALL ALL MICA MINES IN BIHAR AS LONG AS THE EMERGENCY REMAINED IN EFFECT. FURTHERMORE, THEY DID NOT BELIEVE GOI IS LIKELY TO TAKE OVER PRIVATE MICA MINES IMMEDIATELY ALTHOUGH ONE MEMBER EXPRESSED BELIEF THAT NATIONALIZATION OF THE MICA INDUSTRY WAS INEVITABLE.

9. ACCORDING TO THESE SOURCES THE GOI RUSHED TO ESTABLISH THE MAC AND SET UP THE FIRST MEETING ON MARCH 22 UPON RECEIPT OF THE RESOLUTIONS FROM THE BIHAR MICA EXPORTING ASSOCIATION (BMEA) AND THE KODARMA MICA MINING ASSOCIATION (KMMA) THREATENING TO CLOSE ALL PRIVATELY OWNED MINES BY MID-APRIL 1976. BMEA AND KMMA REPORTEDLY ASKED GOI TO TAKE ONE OF THE FOLLOWING STEIPS: (1) TERMINATE MITCO'S EXPORT SALES CONTROL AND RETURN TRADE TO PRIVATE EXPORTERS AS IT

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

WAS BEFORE 1972, COUPLED WITH REDUCTION OF MINIMUM
EXPORT PRICES WHICH HAD BEEN RAISED THREE TIMES SINCE
1972; OR (2) TAKE OVER PRIVATE MICA MINES AND NATIONALIZE
MICA INDUSTRY, OR (3) APPROVE CLOSURE OF ALL MICA MINES
AFTER MID-APRIL, UNTIL REVIVAL OF DEMAND. M.L. RAJGHARIA,
OWNER OF UNION MANUFACTURING COMPANY, DOES NOT EXPECT THE GOI
TO ACCEPT ANY OF THESE OPTIONS ALTHOUGH HE SAID JAIN HAD
THREATENED VERBALLY TO TAKE OVER PRIVATE MICA MINES BY
MARCH 31, 1976 IN CASE BMEA AND KMMA MEMBERS REFUSED TO
OPERATE THEIR MINES.

10. ACCORDING TO S.S. CHOPRA, MITCO'S MANAGER IN CALCUTTA,
NO GAINS IN EXPORT EARNINGS COULD BE EXPECTED BY DECANALIZA-
TION OF MICA EXPORTS OR SUBSTANTIAL REDUCTION IN MINIMUM
EXPORT PRICES BECAUSE DEMAND FOR MICA WOULD INEVITABLY
DECLINE AS A RESULT OF TECHNOLOGICAL CHANGE (ELECTRONICS
REDUCES DEMAND FOR MICA FOR USE IN INSULATION) AND
INCREASED COMPETITION FROM SYNTHETIC SUBSTITUTES.
HE ADDED THAT THE GOI WOULD BE SELECTIVE IN REMEDIAL
MEASURES, WHICH SHOULD CURB THE BIG MICA GROUPS AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 03817 02 OF 02 130637Z

ASSIST SMALL PRIVATE MINE OWNERS. HE THOUGHT, HOWEVER,
THATTHE GOI WOULD BE UNLIKELY TO TAKE ON FURTHER
LIABILITIES BY IMMEDIATE ANATIONALIZATION OF THE
TROUBLED MICA INDUSTRY.

11. CHOPRA CONCEDED THAT THERE HAS BEEN A SHARP FALL
IN DEMAND AND A STEADY DECLINE IN VOLUME OF MICA
EXPORTS, ALTHOUGH VALUE HAS INCREASED BECAUSE OF
INCREASED UNIT PRICES. HE EXPECTED THAT THE MAC WOULD
CONSIDER SUCH MEASURES AS PRICE REVISIONS TO ENCOURAGE
FOREIGN DEMAND. ONE LOCAL EXPORTED, HOWEVER, POINTED
OUT THAT ANY REDUCTION IN MINIMUM EXPORT PRICES OF
MICA WOULD PRIMARILY BENEFIT THE RUSSIANS BECAUSE
THE USSR TOGETHER WITH EAST EUROPEAN BLOC COUNTRIES
ACCOUNT FOR MORE THAN 60 PERCENTOF THE TOTAL INDIAN
MICA EXPORTS. HE DID NOT THINK A PRICE REDUCTION WOULD
SUBSTANTIALLY INCREASE FOREIGN DEMAND.
SCHNEIDER

LIMITED OFFICIAL USE

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, NATIONALIZATION, MINING INDUSTRY, MICA, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE03817
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760095-0469
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760364/aaaaceag.tel
Line Count: 267
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2004 by ullricre>; APPROVED <04 OCT 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MICA
TAGS: EMIN, ETRD, IN, USINJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006